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TOWNSHIP OF ALBION  
Calhoun County, Michigan

7/16  
LOCAL AID & FINANCE DIV.

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

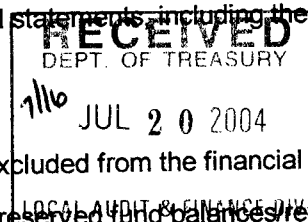
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Albion	<b>County</b> Calhoun
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 16, 2004	<b>Date Accountant Report Submitted to State:</b> June 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF ALBION  
Calhoun County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

June 16, 2004

To the Township Board  
Township of Albion  
Calhoun County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Albion, Calhoun County, Michigan, as of March 31, 2004, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Albion's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Albion, Calhoun County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Albion, Calhoun County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements, taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF ALBION  
Calhoun County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	883 325 85	37 153 53	2 00
Taxes receivable	6 142 32	1 460 22	-
Due from other funds	2 00	-	-
Land	-	-	-
Building	-	-	-
Equipment	-	-	-
Total Assets	<u>889 470 17</u>	<u>38 613 75</u>	<u>2 00</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Account payable	3 373 24	-	-
Due to other funds	-	-	2 00
Total liabilities	<u>3 373 24</u>	<u>-</u>	<u>2 00</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>886 096 93</u>	<u>38 613 75</u>	<u>-</u>
Total fund equity	<u>886 096 93</u>	<u>38 613 75</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>889 470 17</u>	<u>38 613 75</u>	<u>2 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> General Fixed Assets	<u>Total</u> (Memorandum Only)
-	920 481 38
-	7 602 54
-	2 00
16 352 98	16 352 98
214 184 38	214 184 38
<u>588 265 27</u>	<u>588 265 27</u>
<u>818 802 63</u>	<u>1 746 888 55</u>

-	3 373 24
-	2 00
<u>-</u>	<u>3 375 24</u>

818 802 63	818 802 63
------------	------------

-	924 710 68
<u>818 802 63</u>	<u>1 743 513 31</u>
<u>818 802 63</u>	<u>1 746 888 55</u>

TOWNSHIP OF ALBION  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Page 1

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	37 572 70	38 673 64	76 246 34
Licenses and permits	3 356 16	-	3 356 16
State revenue sharing	93 355 00	-	93 355 00
Charges for services – PTAF	14 270 69	-	14 270 69
Interest	32 952 74	-	32 952 74
Special assessments	79 758 05	-	79 758 05
Miscellaneous	30 702 95	-	30 702 95
Total revenues	<u>291 968 29</u>	<u>38 673 64</u>	<u>330 641 93</u>
Expenditures:			
Legislative:			
Township Board	2 300 00	-	2 300 00
General government:			
Supervisor	13 500 00	-	13 500 00
Clerk	13 000 00	-	13 000 00
Board of Review	645 00	-	645 00
Treasurer	12 500 00	-	12 500 00
Township hall	6 225 06	-	6 225 06
Legal	10 423 98	-	10 423 98
Unallocated	7 150 29	-	7 150 29
Public safety:			
Fire protection	47 717 15	41 913 60	89 630 75
Planning and zoning	240 00	-	240 00
Building inspection	2 592 66	-	2 592 66
Public works:			
Highways and streets	-	-	-
Other:			
Insurance	4 012 25	-	4 012 25
Payroll taxes	4 906 76	-	4 906 76
Capital outlay	<u>335 864 81</u>	<u>-</u>	<u>335 864 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>(Memorandum</u> <u>Only)</u>
Total expenditures	<u>461 077 96</u>	<u>41 913 60</u>	<u>502 991 56</u>
Excess (deficiency) of revenues over expenditures	(169 109 67)	(3 239 96)	(172 349 63)
Fund balances, April 1	<u>1 055 206 60</u>	<u>41 853 71</u>	<u>1 097 060 31</u>
Fund Balances, March 31	<u><u>886 096 93</u></u>	<u><u>38 613 75</u></u>	<u><u>924 710 68</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF ALBION  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	38 398 00	37 572 70	(825 30)
Licenses and permits	5 326 00	3 356 16	(1 969 84)
State revenue sharing	93 000 00	93 355 00	355 00
Charges for services – PTAF	13 313 00	14 270 69	957 69
Interest	17 000 00	32 952 74	15 952 74
Special assessments	84 774 00	79 758 05	(5 015 95)
Miscellaneous	<u>11 450 00</u>	<u>30 702 95</u>	<u>19 252 95</u>
Total revenues	<u>263 261 00</u>	<u>291 968 29</u>	<u>28 707 29</u>
Expenditures:			
Legislative:			
Township Board	2 400 00	2 300 00	(100 00)
General government:			
Supervisor	13 500 00	13 500 00	-
Elections	300 00	-	(300 00)
Clerk	13 000 00	13 000 00	-
Board of Review	645 00	645 00	-
Treasurer	12 500 00	12 500 00	-
Township hall	6 500 00	6 225 06	(274 94)
Legal	25 000 00	10 423 98	(14 576 02)
Unallocated	13 941 91	7 150 29	(6 791 62)
Public safety:			
Fire protection	48 297 23	47 717 15	(580 08)
Planning and zoning	4 307 81	240 00	(4 067 81)
Building inspection	4 800 00	2 592 66	(2 207 34)
Public works:			
Highways and streets	-	-	-
Drains	500 00	-	(500 00)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
39 000 00	38 673 64	(326 36)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>39 000 00</u>	<u>38 673 64</u>	<u>(326 36)</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
41 913 60	41 913 60	-
-	-	-
-	-	-
-	-	-
-	-	-

TOWNSHIP OF ALBION  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued):			
Other:			
Insurance	4 012 25	4 012 25	-
Payroll taxes	4 906 76	4 906 76	-
Contingency	15 000 00	-	(15 000 00)
Capital outlay	<u>367 762 00</u>	<u>335 864 81</u>	<u>(31 897 19)</u>
Total expenditures	<u>537 372 96</u>	<u>461 077 96</u>	<u>(76 295 00)</u>
Excess (deficiency) of revenues over expenditures	(274 111 96)	(169 109 67)	105 002 29
Fund balances, April 1	<u>931 597 77</u>	<u>1 055 206 60</u>	<u>123 608 83</u>
Fund Balances, March 31	<u>657 485 81</u>	<u>886 096 93</u>	<u>228 611 12</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
<u>41 913 60</u>	<u>41 913 60</u>	<u>-</u>
(2 913 60)	(3 239 96)	(326 36)
<u>40 000 00</u>	<u>41 853 71</u>	<u>1 853 71</u>
<u>37 086 40</u>	<u>38 613 75</u>	<u>1 527 35</u>

TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Albion, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Albion. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund Types

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions, or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.9601 mills, and the taxable value was \$41,447,850.00.

TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay, and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>920 481 38</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 613 47
Uninsured and Uncollateralized	<u>820 025 51</u>
Total Deposits	<u>920 638 98</u>

The Township of Albion did not have any investments as of March 31, 2004.

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	16 352 98	-	-	16 352 98
Building	214 184 38	-	-	214 184 38
Equipment	<u>258 900 46</u>	<u>335 864 81</u>	<u>6 500 00</u>	<u>588 265 27</u>
Totals	<u>489 437 82</u>	<u>335 864 81</u>	<u>6 500 00</u>	<u>818 802 63</u>

TOWNSHIP OF ALBION  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>2 00</u>	Current Tax Collection	<u>2 00</u>

Note 5 - Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 - Pension Plan

The Township does not have a pension plan.

Note 7 - Risk Management

The Township is exposed to various risk of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$3,328.16 and building permit expenses of \$2,592.66.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF ALBION  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D

Township Board:	
Wages	<u>2 300 00</u>
Supervisor:	
Salary	<u>13 500 00</u>
Clerk:	
Salary	<u>13 000 00</u>
Board of Review:	
Wages	<u>645 00</u>
Treasurer:	
Salary	<u>12 500 00</u>
Township hall	<u>6 225 06</u>
Legal	<u>10 423 98</u>
Unallocated	<u>7 150 29</u>
Fire protection:	
Wages	21 955 00
Supplies	5 458 43
Utilities	2 110 45
Repairs and maintenance	5 152 64
Insurance	11 375 75
Miscellaneous	<u>1 664 88</u>
	<u>47 717 15</u>
Planning and zoning	<u>240 00</u>
Building inspection	<u>2 592 66</u>
Insurance	<u>4 012 25</u>
Payroll taxes	<u>4 906 76</u>
Capital outlay	<u>335 864 81</u>
Total Expenditures	<u>461 077 96</u>

TOWNSHIP OF ALBION  
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>2 00</u>	<u>1 909 086 55</u>	<u>1 909 086 55</u>	<u>2 00</u>
Total Assets	<u>2 00</u>	<u>1 909 086 55</u>	<u>1 909 086 55</u>	<u>2 00</u>
<u>Liabilities</u>				
Due to other funds	<u>2 00</u>	<u>165 898 89</u>	<u>165 898 89</u>	<u>2 00</u>
Due to others	<u>-</u>	<u>1 743 187 66</u>	<u>1 743 187 66</u>	<u>-</u>
Total Liabilities	<u>2 00</u>	<u>1 909 086 55</u>	<u>1 909 086 55</u>	<u>2 00</u>

TOWNSHIP OF ALBION  
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>2 00</u>
Cash receipts:	
Property tax	1 892 053 24
Administration fees	13 806 96
Interest	<u>3 226 35</u>
Total cash receipts	<u>1 909 086 55</u>
Total beginning balance and cash receipts	<u>1 909 088 55</u>
Cash disbursements:	
Township General Fund	153 674 78
Township Road Fund	37 213 42
Calhoun County	543 214 15
Calhoun Intermediate School District	261 288 14
Kellogg Community College	176 689 90
Albion Public Schools	115 633 90
Homer Community Schools	339 892 85
Albion Library	35 090 15
Homer Library	11 694 48
State of Michigan	195 602 86
Refunds	<u>39 091 92</u>
Total cash disbursements	<u>1 909 086 55</u>
Cash in Bank – End of Year	<u><u>2 00</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

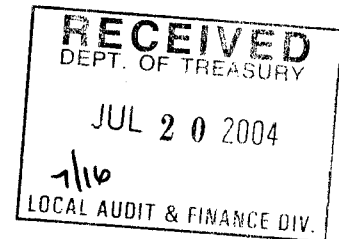
512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 16, 2004

To the Township Board  
Township of Albion  
Calhoun County, Michigan



We have audited the financial statements of the Township of Albion, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Albion in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Albion  
Calhoun County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Albion  
Calhoun County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Albion will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants